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SERVICE DATE – JUNE 9, 2017

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. MCF 21076<sup>1</sup>

LONE STAR COACHES, INC.—CONTROL—TRI-CITY CHARTER OF BOSSIER, INC.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: On May 12, 2017, Lone Star Coaches, Inc. (Lone Star) filed an application under 49 U.S.C. § 14303 to acquire Tri-City Charter of Bossier, Inc. (Tri-City Charter).<sup>2</sup> Lone Star and Tri-City Charter are each federally registered, passenger motor carriers that are in the process of consolidating parts of their operations while maintaining their distinct USDOT operating authorities. The Board is tentatively approving and authorizing the transaction, and, if no opposing comments are timely filed, this notice will be the final Board action. Persons wishing to oppose the application must follow the rules at 49 C.F.R. §§ 1182.5 and 1182.8.

DATES: Comments must be filed by July 24, 2017. Lone Star may file a reply by August 8, 2017. If no comments are filed by July 24, 2017, this notice shall be effective on July 25, 2017.

ADDRESSES: Send an original and 10 copies of any comments referring to Docket No. MCF 21076 to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to: Mark Steelman, President, Lone Star Coaches, Inc., P.O. Box 531668, Grand Prairie, TX 75053.

FOR FURTHER INFORMATION CONTACT: Sarah Fancher (202) 245-0355. Federal Information Relay Service (FIRS) for the hearing impaired: 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Lone Star asserts the following facts. Lone Star (MC-153014) is a corporation under Texas law that is not affiliated with any other motor carriers. The company provides charter, tour, and local intercity and intracity transportation in the Dallas, Fort Worth, Abilene, Tyler, Grand Prairie, Waco, and Austin markets. It currently operates 26 commercial motor vehicles, specifically over-the-road motorcoaches. Tri-City Charter (MC-370884) is a corporation under Louisiana law that is not affiliated with any other

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<sup>1</sup> Concurrent with its application, Lone Star also filed, in Docket No. MCF 21076 TA, a request under 49 U.S.C. § 14303(i) to operate the assets to be acquired on an interim basis pending approval of the acquisition. The Board will address that request in a separate decision.

<sup>2</sup> Lone Star made a supplemental filing on May 31, 2017.

motor carriers. Tri-City Charter provides charter service in Louisiana, Texas, and other parts of the southeast United States with 17 motorcoaches.

Lone Star states that, under the proposed transaction, it will acquire 100 percent control of Tri-City Charter. Tri-City Charter will continue to operate as a sub-division of Lone Star and maintain its interstate and intrastate operating authorities. The parties do not contemplate any significant change in Tri-City Charter's operations as a result of the transaction.

Under 49 U.S.C. § 14303(b), the Board must approve and authorize a transaction that it finds consistent with the public interest, taking into consideration at least: (1) the effect of the proposed transaction on the adequacy of transportation to the public; (2) the total fixed charges that result from the proposed transaction; and (3) the interest of carrier employees affected by the proposed transaction. Lone Star submitted information, as required by 49 C.F.R. § 1182.2, including information to demonstrate that the proposed transaction is consistent with the public interest under 49 U.S.C. § 14303(b), and a statement that the aggregate gross operating revenues of Lone Star and Tri-City Charter exceeded \$2 million for the preceding 12-month period as required under 49 U.S.C. § 14303(g).<sup>3</sup>

Lone Star submits that the proposed transaction will not have an adverse impact on the adequacy of transportation services available to the public. The transaction will enable the carriers to engage in vehicle sharing arrangements, to better utilize sales and field operations personnel, and to bring certain management functions together for more efficient management of the overall enterprise. According to Lone Star, the transaction will allow the companies to take advantage of better financial terms, which will allow them to replace aging vehicles and to purchase newer, more energy efficient vehicles on more favorable terms. The transaction will allow the carriers to maximize the use of personnel and equipment and to use debt restructuring to increase investment into their companies. Lone Star states that the carriers will be able to serve their existing geographic areas and customer bases more efficiently and effectively and that they do not anticipate any reduction in current service levels. According to Lone Star, the transaction will enable the carriers to leverage the combination of companies to grow the businesses of each individual carrier, resulting in the same or greater level of transportation to the public.

Lone Star also submits that the transaction will not have a material adverse effect on competition. According to Lone Star, the companies do not plan to significantly alter their current operations but merely wish to take advantage of efficiencies gained through working under one corporate structure. Lone Star argues that the areas served by the carriers are subject to robust competition, with over 15 interstate transportation providers offering charter and tour service in the Dallas/Fort Worth area alone. Lone Star estimates that interstate and intrastate carriers in the Dallas/Fort Worth market generate over \$150 million in annual revenues and operate approximately 670 vehicles (including sedans, mini buses, and motor coaches). Lone Star estimates that the combined revenues of Lone Star Coaches and Tri-City Charter will be less than 5% of the Dallas/Fort Worth market and will account for about thirty vehicles in the local

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<sup>3</sup> Applicants with gross operating revenues exceeding \$2 million are also required to meet the requirements of 49 C.F.R. § 1182.2(a)(5).

market. Lone Star also notes that the areas served by the carriers are largely separate and distinct with a small amount of overlap in larger markets. Lone Star argues that the transaction will not result in any consolidation of market power in any relevant market, because the companies will maintain their separate identities and be responsible for their own operations within the larger corporate family. Lone Star submits that the efficiencies associated with merging two companies under one corporate structure will enable the carriers to continue to compete with other carriers. Lone Star asserts that the lack of barriers to entry in the charter and tour business makes the business contestable on a trip-by-trip basis and reduces the risk of a carrier abusing its market power.

Regarding fixed charges, Lone Star states that the restructuring of day-to-day operations will allow Lone Star to lower operational costs and continue to provide affordable passenger-carrier transportation services.

According to Lone Star, the transaction will not have an overall negative impact on employees. The transaction will enable the parties to consolidate some headquarters and administrative personnel. Lone Star states that labor force additions in higher paying sales and field operations personnel in multiple cities will offset any personnel contraction across Texas and Louisiana. Over time, the companies will be able to grow by taking advantage of economies of scale, better financial terms, and increased buying power, resulting in additions to driver and non-driver personnel.

On the basis of the application, the Board finds that the proposed acquisition is consistent with the public interest and should be tentatively approved and authorized. If any opposing comments are timely filed, these findings will be deemed vacated, and, if a final decision cannot be made on the record as developed, a procedural schedule will be adopted to reconsider the application. See 49 C.F.R. § 1182.6(c). If no opposing comments are filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action.

This action is categorically excluded from environmental review under 49 C.F.R. § 1105.6(c).

Board decisions and notices are available on our website at [WWW.STB.GOV](http://WWW.STB.GOV).

It is ordered:

1. The proposed transaction is approved and authorized, subject to the filing of opposing comments.
2. If opposing comments are timely filed, the findings made in this notice will be deemed as having been vacated.
3. Notice of this decision will be published in the Federal Register.
4. This notice will be effective July 25, 2017, unless opposing comments are filed by July 24, 2017.

5. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue, S.E., Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue, S.E., Washington, DC 20590.

Decided: June 6, 2017.

By the Board, Board Members Begeman, Elliott, and Miller.